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**Waterworks District No. 2  
Of The Parish of St. Mary  
State of Louisiana**

**Report On Examination Of  
Financial Statements**

**For The Years Ended  
September 30, 2000 and 1999**

**Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.**

Release Date 02/21/01 ✓

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Waterworks District No. 2  
Parish of St. Mary  
Bayou Vista, Louisiana

We have audited the accompanying financial statements of Waterworks District No. 2, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 2 as of September 30, 2000 and 1999, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2001, on our consideration of Waterworks District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The individual fund financial statements, schedules, and statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of Waterworks District No. 2. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

*LeBlanc and Carpenter*

January 16, 2001  
Morgan City, Louisiana

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Combined Balance Sheet - All Fund Types

September 30, 2000

	Proprietary <u>Fund Type</u> Waterworks <u>System</u>	Totals ( <u>Memorandum Only</u> )  9-30-00	9-30-99
<b>ASSETS</b>			
Cash and cash equivalents	\$ 163,770	\$ 163,770	\$ 117,741
Investments, at cost	147,104	147,104	111,218
Accounts receivable	106,847	106,847	103,436
Due from other governmental units	3,000	3,000	--
Interest receivable	4,701	4,701	248
Inventory	14,823	14,823	12,650
Prepaid expenses	7,285	7,285	4,560
Restricted assets			
Cash and cash equivalents	219,476	219,476	93,212
Investments, at cost	38,401	38,401	108,626
Waterworks system and equipment (net)	714,960	714,960	792,700
Prepaid water tower maintenance	99,111	99,111	115,629
Investment in Berwick-Bayou Vista Joint Waterworks Commission	<u>129,731</u>	<u>129,731</u>	<u>116,782</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,649,209</u></b>	<b><u>\$1,649,209</u></b>	<b><u>\$1,576,802</u></b>

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EXHIBIT A

	<u>Proprietary Fund Type Waterworks System</u>	<u>Totals (Memorandum Only)</u>	
		<u>9-30-00</u>	<u>9-30-99</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 13,587	\$ 13,587	\$ 7,790
Due to other governmental units	85,218	85,218	76,561
Payable from restricted assets			
Due to other governmental units	297	297	419
Meter deposits	<u>128,473</u>	<u>128,473</u>	<u>124,903</u>
<b>TOTAL LIABILITIES</b>	<u>227,575</u>	<u>227,575</u>	<u>209,673</u>
<b>FUND EQUITY</b>			
Contributed capital	<u>158,337</u>	<u>158,337</u>	<u>158,337</u>
Retained earnings			
Unreserved	<u>1,263,297</u>	<u>1,263,297</u>	<u>1,208,792</u>
<b>TOTAL RETAINED EARNINGS AND FUND BALANCE</b>	<u>1,263,297</u>	<u>1,263,297</u>	<u>1,208,792</u>
<b>TOTAL FUND EQUITY</b>	<u>1,421,634</u>	<u>1,421,634</u>	<u>1,367,129</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$1,649,209</u>	<u>\$1,649,209</u>	<u>\$1,576,802</u>

See notes to financial statements.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Statement of Income, Expenses and Changes in Retained Earnings  
Proprietary Fund Type

For the years ended September 30, 2000 and 1999

	<u>9-30-00</u>	<u>9-30-99</u>
<b>OPERATING REVENUES</b>		
Charges for water service	\$316,149	\$306,513
Delinquent charges	4,747	3,612
Meter installation, reconnects, etc.	5,667	4,305
Sewerage collection fees	14,400	14,400
Garbage collection fees	14,378	13,900
Sewerage maintenance fees	<u>12,000</u>	<u>12,000</u>
<b>TOTAL OPERATING REVENUES</b>	<u>367,341</u>	<u>354,730</u>
<b>OPERATING EXPENSES</b>		
Personal services		
Clerical salaries	34,510	30,702
Other salaries	35,770	24,924
Board meetings	4,860	4,800
Contract labor	--	2,259
Payroll taxes	1,757	1,345
Employee group insurance	6,798	6,356
Retirement contributions	8,494	6,529
Operating services		
Cost of water	166,941	121,850
Insurance	7,819	9,108
Audit fees	5,795	5,795
Engineering fees	3,840	1,100
Legal fees	480	1,025
Computer consulting	1,524	2,630
Repairs and maintenance	66,883	53,603
Amortize tower maintenance	16,518	16,518
Bad debts	251	361
Utilities and telephone	1,666	1,591
Vehicle expense	4,291	1,595
Materials and supplies		
Office expense	3,471	2,516
Postage	4,550	4,201
Advertising	655	841
Miscellaneous	818	1,029
Depreciation	<u>90,898</u>	<u>87,111</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$468,589</u>	<u>\$387,789</u>



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EXHIBIT B

	<u>9-30-00</u>	<u>9-30-99</u>
LOSS BEFORE NONOPERATING REVENUE AND EXPENSES	<u>\$ (101,248)</u>	<u>\$ (33,059)</u>
NONOPERATING REVENUE (EXPENSES)		
Ad valorem taxes	134,129	130,814
Parish council grant	--	25,000
Interest income	21,624	14,979
Ad valorem tax settlement	--	5,270
Interest on bonds	--	(2,814)
Amortize bond cost	--	(1,602)
Bond administration fees	--	(939)
Gain on property sold	<u>--</u>	<u>1,967</u>
TOTAL NONOPERATING REVENUE (NET)	<u>155,753</u>	<u>172,675</u>
NET INCOME	54,505	139,616
RETAINED EARNINGS		
Beginning of year	<u>1,208,792</u>	<u>1,069,176</u>
End of year	<u>\$ 1,263,297</u>	<u>\$ 1,208,792</u>

See notes to financial statements.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Statement of Cash Flows - Proprietary Fund Type

For the years ended September 30, 2000 and 1999

Increase (Decrease) in Cash and Cash Equivalents

	<u>9-30-00</u>	<u>9-30-99</u>
Cash flows from operating activities:		
Cash received from customers	\$ 363,930	\$ 353,772
Cash payments for personal services	(92,189)	(76,915)
Cash payments for operating services	(249,934)	(213,233)
Cash payments for supplies	<u>(9,494)</u>	<u>(8,587)</u>
Net cash provided by operating activities	<u>12,313</u>	<u>55,037</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(13,157)	(221,493)
Principal paid on revenue bond maturities	--	(90,000)
Interest paid on revenue bonds	--	(4,439)
Investment in Joint Waterworks Commission	<u>(12,949)</u>	<u>(13,877)</u>
Net cash used for capital and related financing activities	<u>(26,106)</u>	<u>(329,809)</u>
Cash flows from investing and nonoperating revenue and expense activities:		
Purchase certificate of deposit	(20,000)	--
Purchase US Treasury Bill	(141,582)	--
Open-ended money market mutual fund accounts	168,971	(168,971)
Ad valorem taxes	134,129	136,084
Interest income on investments	17,171	16,870
Redemption of investment securities	6,949	19,051
Parish council grant	--	25,000
Proceeds from water system sold	<u>--</u>	<u>25,312</u>
Net cash provided by investing and nonoperating revenues and expenses	<u>165,638</u>	<u>53,346</u>
Cash flows from noncapital financing activities		
Due from other governmental units	(3,000)	9,625
Cash from meter deposits	3,570	3,493
Due to other governmental units	<u>(122)</u>	<u>303</u>
Net cash provided (used) by noncapital financing activities	<u>448</u>	<u>13,421</u>
Net increase (decrease) in cash and cash equivalents	152,293	(208,005)

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EXHIBIT C

	<u>9-30-00</u>	<u>9-30-99</u>
Net increase (decrease) in cash and cash equivalents	\$ 152,293	\$(208,005)
Cash and cash equivalents at beginning of year	<u>230,953</u>	<u>438,958</u>
Cash and cash equivalents at end of year	<u>\$ 383,246</u>	<u>\$ 230,953</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$(101,248)	\$ (33,059)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	90,898	87,111
Amortize tower maintenance	16,518	16,518
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,411)	(958)
(Increase) decrease in inventory	(2,173)	(1,837)
(Increase) decrease in prepaid expenses	(2,725)	40
Increase (decrease) in accounts payable	5,797	(14,250)
Increase (decrease) in due to governmental units	<u>8,657</u>	<u>1,472</u>
Net cash provided by operating activities	<u>\$ 12,313</u>	<u>\$ 55,037</u>
Cash and cash equivalents - Unrestricted:		
Cash	\$ 94,853	\$ 117,741
Cash equivalents	<u>68,917</u>	<u>0</u>
	<u>163,770</u>	<u>117,741</u>
Cash and cash equivalents - Restricted:		
Cash	144,190	93,212
Cash equivalents	<u>75,286</u>	<u>20,000</u>
	<u>219,476</u>	<u>113,212</u>
Total cash and cash equivalents	<u>\$ 383,246</u>	<u>\$ 230,953</u>

See notes to financial statements.

WATERWORKS DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2000

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WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to Financial Statements

September 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waterworks District No. 2 was created and established May 14, 1952 pursuant to the provisions of an ordinance adopted by the Police Jury of the Parish of St. Mary, State of Louisiana, in compliance with the provisions of Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950. The District is composed of and managed by six board of commissioners. The District is authorized to do all things necessary to provide distribution of treated water for human consumption and maintenance of the system needed to perform this service.

The financial statements of Waterworks District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

The District (a proprietary fund) applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB Statement No. 14, Governmental Reporting Entity, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Waterworks District No. 2 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 2000. The Waterworks District No. 2 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

Fund Accounting

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's statements and Interpretations, APB Opinions and ARBs issued, except for those that conflict with or contradict GASB pronouncements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type

Enterprise Fund - An Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's Waterworks System is an enterprise fund.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Their reported fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Waterworks System is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Definition of Cash and Cash Equivalents

The District considers all cash (currency and checks on hand and demand deposits with banks and other financial institutions) or highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. The District included open-ended mutual funds as cash and cash equivalents. In accordance with GASBS No. 9, The District presents a cash flows statement that shows the change during the period in unrestricted and restricted cash and cash equivalents.

Budgets and Budgetary Accounting

The Waterworks District No. 2 follows these procedures in establishing administrative budgetary accounting:

- a. An administrative budget is employed as a management planning and control device during the year for the Proprietary Fund. The forecasted budget is prepared on a basis consistent with generally accepted accounting principles (GAAP), which for the Proprietary Fund is the accrual basis of accounting.



NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. The Proprietary Fund Statement of Income, Expenses, and Changes in Retained Earnings does not reflect budget and actual comparisons of the administrative budget because it is not a legally adopted budget.

Restricted Assets

In accordance with the revenue bond covenants, certain resources are set aside for the repayment of the bonds. These funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Joint Venture

The Waterworks District No. 2 and the Town of Berwick jointly constructed a water treatment plant to provide a water supply to each entity. Each participant has a 50% interest in the venture. The cost of constructing the plant was borne by the two communities, and they have appointed a board to operate and maintain the plant. The Berwick-Bayou Vista Joint Waterworks Commission was created to maintain, operate and administer the joint water treatment plant. The District has included its share of the joint venture cost and current operations in these financial statements using the equity method of accounting. See Note G for additional disclosure.

Investments

State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts; and mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

Investments are stated at cost or amortized cost, which approximates market. No write-down has been made to reflect the decline in market value of GNMA pass through pool investments because the declines are considered temporary and the investments are considered to be long-term investments.

Inventory

The Proprietary Fund inventory is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

The Waterworks System is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included in the balance sheet. All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available.

Donated property, plant and equipment are valued at their estimated fair value on the date donated.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water plant	10-40 years
Distribution system	10-33 years
Administrative buildings	10-40 years
Furniture and equipment	10-40 years
Automobiles and trucks	6 years

Bad Debts

The financial statements contain no allowance for uncollectable accounts receivables which is a generally accepted accounting principle. Uncollectable receivables are charged off at the time information becomes available which would indicate the uncollectability of the particular receivable. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which paid. At September 30, 2000 unrecorded liabilities for the above are of an immaterial amount.

Bond Issuance Cost

Bond issuance costs are capitalized and amortized on a straight-line basis over the life of the bonds. Bond issuance costs are recorded as "Unamortized Bond Expense".

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Column on Combined Balance Sheet

The total column on the Combined Balance Sheet is captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Waterworks District No. 2 may invest in time deposits or certificate of deposits of state banks or savings and loan associations or savings banks organized under Louisiana law and national banks having principle offices in Louisiana. State law requires that deposits be fully collateralized at all times. Acceptable collateralization includes the \$100,000 FDIC/FSLIC insurance and the market value of securities purchased and pledged. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the District or with an unaffiliated bank or trust company for the account of the District.

The District's cash, cash equivalents and investments are categorized to give an indication of the level of risk assumed by the District at September 30, 2000:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized or securities uninsured or unregistered and held by the counter party (this includes GNMA Pool investments and mutual fund shares held in "book-entry-only" form by brokerage firms)

Cash and investments (including restricted assets) stated at cost consist of the following:

Checking and money market accounts	\$239,043
Certificate of deposit	20,000
US Treasury Bill	141,582
GNMA pool investments	23,923
Open-end mutual fund money market	<u>144,203</u>
Total cash and investments	<u>\$568,751</u>

EXHIBIT D  
Continued

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and investments categorized by level of risk are:

	<u>Cost</u>	<u>Market Value</u>
Amounts insured by the FDIC or collateralized with securities held by the District in its name	\$ 544,828	\$ 544,828
Amounts collateralized with securities held by the pledging financial institution's trust department in the District's name	--	--
Uncollateralized, uninsured or unregistered	<u>23,923</u>	<u>22,524</u>
Total cash and investments	<u>\$ 568,751</u>	<u>\$ 567,352</u>

The \$120,166 held in the Edward D. Jones "Daily Passport Cash Trust" money market mutual fund account is protected up to \$500,000 by the Securities Investor Protection Corporation, a non-profit corporation created by Congress that receives revenues from the broker-dealers who are required by law to be SIPC members. The Fund invests primarily in a portfolio of U.S. Treasury and government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. Portfolio securities and repurchase agreements will have a maturity of 397 days or less. The dollar-weighted average maturity of the Fund's portfolio is 90 days or less. SIPC provides protection in the event that Edward D. Jones fails financially and is unable to meet its obligations to its customers. SIPC protection does not cover any decreases in the net asset value of the shares of the money market mutual fund produced by market fluctuations. Accordingly, the District is at risk for any amounts held in the money market mutual fund. As of December 31, 2000, the Daily Passport Cash Trust's portfolio included about 58% of securities which were direct U.S. Treasury obligations and obligations of other U.S. government agencies.

The \$10,743 held in the MSDW U.S. Government Money Market mutual fund account is protected up to \$500,000 by the Securities Investor Protection Corporation, a non-profit corporation created by Congress that receives revenues from the broker-dealers who are required by law to be SIPC members. SIPC provides protection in the event that MorganStanleyDeanWitter fails financially and is unable to meet its obligations to its customers. SIPC protection does not cover any decreases in the net asset value of the shares of the money market mutual fund produced by market fluctuations. Accordingly, the District is at risk for any amounts held in the money market mutual fund. The MSDW U.S. Government Money Market mutual fund invests only in U.S. Government Securities, such as; obligations issued directly by the U.S. Treasury and obligations issued or guaranteed by U.S. government agencies. There were no sales of this mutual fund during the year; however, \$551 of dividends earned were reinvested to buy more shares of the fund.

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The \$13,294 held in Putnam Money Market Fund CL A is an investment that is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund invests in high quality , short term money market investments, such as certificates of deposit, commercial paper, U.S. government debt and repurchase agreements, corporate obligations and bankers acceptances. There were no sales of this mutual fund during the year; however, \$775 of dividends earned were reinvested to buy more shares of the fund. Accordingly, the District is at risk for any amounts held in the money market mutual fund.

The District's mutual fund investments have not been assigned a category of credit risk similar to the other investments because this type of investment is not evidenced by securities that exist in physical or book entry form.

NOTE C - DUE TO/FROM OTHER GOVERNMENTAL UNITS

	<u>Due From Other Governments</u>	<u>Due To Other Governments</u>
Due from St. Mary Parish Council (Project reimbursement)	\$ 3,000	\$ --
Due to Berwick-Bayou Vista Joint Waterworks (Water purchases)		16,067
Due to Sewerage District No. 2 (Inter-governmental service - sewerage fees)	--	45,872
Due to St. Mary Parish Council (Inter-governmental service - garbage/mosquito fees)	<u>--</u>	<u>23,279</u>
	<u>\$ 3,000</u>	<u>\$85,218</u>

**NOTE D - WATERWORKS SYSTEM AND EQUIPMENT**

A Summary of the Waterworks System Plant and Equipment follows:

<u>Property</u>	<u>Annual Straight-Line Depreciation Rate</u>	<u>9-30-00</u>	<u>9-30-99</u>
Land		5,024	5,024
Water plant	2.5% - 10%	838,485	838,485
Distribution system	3.03% - 10%	1,753,671	1,743,450
Administrative buildings	2.5% - 10%	40,527	40,527
Furniture and equipment	2.5% - 10%	75,612	73,853
Vehicles	25%	<u>20,404</u>	<u>20,404</u>
	<b>TOTAL</b>	<b>2,733,723</b>	<b>2,721,743</b>
Less accumulated depreciation		<u>(2,018,763)</u>	<u>(1,929,043)</u>
	<b>NET</b>	<b><u>\$ 714,960</u></b>	<b><u>\$ 792,700</u></b>

**NOTE E - LONG-TERM DEBT**

The following is a summary of bond transactions of the District for the years ended September 30, 2000 and 1999:

	<u>Water Revenue Bonds</u>	
	<u>2000</u>	<u>1999</u>
Bonds payable at beginning of year	\$ 0	\$ 90,000
Debt retired	--	(90,000)
Bonds issued	<u>--</u>	<u>--</u>
Bonds payable at end of year	<u>\$ 0</u>	<u>\$ 0</u>

**Water Revenue Bonds and Water Revenue Refunding Bonds**

On April 13, 1992, the Waterworks District No. 2 had \$380,000 aggregate principal amount of outstanding Waterworks Utility Revenue Bonds, dated March 13, 1975. The United States of America, Farmers Home Administration, as the owner of the outstanding bonds, ordered the Waterworks District No. 2 to prepay and refund the outstanding balance of the \$380,000 bonds. Pursuant to Chapter 14-A of Title 39 of the Louisiana Revised Statutes of 1950, as amended, the District issued \$300,000 principal amount of its Water Revenue Refunding Bonds, Series 1992, for the purpose of prepaying and refunding the outstanding Revenue Bonds. The District paid the balance of the outstanding water revenue refunding bonds and all interest payments due from funds accumulated in the related sinking, reserve, and depreciation and contingencies funds.

**NOTE F - RETIREMENT PLAN**

All Waterworks District employees are covered under the Federal Insurance Contribution Act (Social Security). In addition, qualified employees also belong to a SEP/IRA Retirement Plan that was established by the Waterworks District in 1990. The District contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis.

The Waterworks District contributions to the above plans totaled approximately \$8,494 and \$6,529 for the years ended September 30, 2000 and 1999, respectively. This amount is paid to the Retirement Systems which are responsible for administering the plan and disbursing benefits. There were no unfunded contributions under either plan at September 30, 2000.

**NOTE G - INVESTMENT - BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION**

All of the water sold by Waterworks District No. 2 is obtained from Berwick-Bayou Vista Joint Waterworks Commission. The Berwick-Bayou Vista Joint Waterworks Commission was created and established with the sole responsibility and duty to maintain, operate, and administer the joint water treatment plant for District No. 2 and Town of Berwick. The water treatment plant was constructed and is owned by the District and the Town of Berwick, Louisiana. The District and the Town of Berwick appoint the members of the Board of Commissioners for the Joint Waterworks Commission. The District's portion of the cost of the plant is carried in property, plant and equipment. Amounts reported as an investment in other assets represents the District's equity in the joint venture. The Berwick-Bayou Vista Joint Waterworks Commission reports as a component unit of the St. Mary Parish Council. The following is a summary of selected financial information of the Berwick-Bayou Vista Joint Waterworks Commission:

	Year Ended 9-30-00	Year Ended 9-30-99
Total assets	\$293,991	\$258,445
Total liabilities	50,030	40,380
Total fund equity	243,961	218,065
Total revenues	430,261	336,135
Total expenditures	404,365	308,379
Net income	25,896	27,756

Waterworks District No. 2 purchased the following quantities and amounts of water from the Joint Waterworks Commission:

	Year Ended 9-30-00	Year Ended 9-30-99
Gallons of water purchased	198,636,000	185,579,000
Cost of water purchases	\$ 166,941	\$ 121,850

## NOTE H - PREPAID WATER TOWER MAINTENANCE

The District has recorded the total cost of having its 250,000 gallon water storage tank coated, painted, and repaired as prepaid water tower maintenance. The project was completed September 10, 1996 at a total cost of \$165,184. This cost will be amortized over its estimated useful life of ten years beginning in October, 1996.

Total prepaid water tower maintenance	\$165,184
Amortization to date	<u>(66,073)</u>
Net prepaid water tower maintenance	<u>\$ 99,111</u>

## NOTE I - SUBSEQUENT EVENT

On October 27, 2000, the St. Mary Parish Council passed Ordinance 1474, creating St. Mary Parish Water and Sewer Commission No. 2, State of Louisiana. In accordance with the provisions of this ordinance all operations and waterworks facilities of Waterworks District No. 2 will be transferred to the jurisdiction of the commission. All water, sewer, and sewage disposal facilities heretofore owned and/or operated by Waterworks District no. 2 and Sewage District No. 2 as such facilities now exist, shall be operated, maintained, improved, extended and/or disposed of by the Commission. This ordinance shall become effective on January 1, 2001.



## SUPPLEMENTARY SCHEDULES

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Balance Sheets - Proprietary Fund Type

September 30, 2000 and September 30, 1999

	<u>9-30-00</u>	<u>9-30-99</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 163,770	\$ 117,741
Investments, at cost	147,104	111,218
Accounts receivable		
Utility customers	106,847	103,436
Due from other governmental units	3,000	--
Interest receivable	4,701	248
Inventory - at cost	14,823	12,650
Prepaid expenses	<u>7,285</u>	<u>4,560</u>
Total Current Assets	<u>447,530</u>	<u>349,853</u>
Restricted		
Meter Deposit Fund		
Cash and cash equivalents	99,642	21,002
Investments, at cost	38,401	108,626
Depreciation and Contingencies Fund		
Cash and cash equivalents	<u>119,834</u>	<u>72,210</u>
Total Restricted Assets	<u>257,877</u>	<u>201,838</u>
Waterworks System and Equipment (net)	<u>714,960</u>	<u>792,700</u>
Other		
Prepaid water tower maintenance	99,111	115,629
Investment in Berwick-Bayou Vista		
Joint Waterworks Commission	<u>129,731</u>	<u>116,782</u>
Total Other Assets	<u>228,842</u>	<u>232,411</u>
TOTAL ASSETS	<u>\$1,649,209</u>	<u>\$1,576,802</u>

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SCHEDULE 1

	<u>9-30-00</u>	<u>9-30-99</u>
<b>LIABILITIES</b>		
Current		
Payable from current assets		
Accounts payable and accrued expenses	\$ 13,587	\$ 7,790
Due to other governmental units	<u>85,218</u>	<u>76,561</u>
Total Current Liabilities	<u>98,805</u>	<u>84,351</u>
Payable from restricted assets		
Due to other governmental units	<u>297</u>	<u>419</u>
Total Current Restricted Liabilities	<u>297</u>	<u>419</u>
Meter Deposits	<u>128,473</u>	<u>124,903</u>
TOTAL LIABILITIES	<u>227,575</u>	<u>209,673</u>
<b>FUND EQUITY</b>		
Contributed Capital	<u>158,337</u>	<u>158,337</u>
Retained Earnings		
Unreserved	<u>1,263,297</u>	<u>1,208,792</u>
Total Retained Earnings	<u>1,263,297</u>	<u>1,208,792</u>
Total Fund Equity	<u>1,421,634</u>	<u>1,367,129</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,649,209</u>	<u>\$1,576,802</u>

See notes to financial statements.

SCHEDULE 2

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Combined Schedule of Investments

September 30, 2000

	<u>Maturity</u>	<u>Rate</u>	<u>Cost</u>	<u>Market Value</u>
REVENUE FUND				
US Treasury Bill	3-1-01	6.09%	141,582	146,155
Mortgaged-Backed Securities				
GNMA pass through pool	Monthly	7.25%-11.0%	<u>5,522</u>	<u>5,319</u>
			<u>147,104</u>	<u>151,474</u>
METER DEPOSIT FUND				
Time Certificates of Deposit				
Teche Federal Savings Bank	11-15-01	6.67%	20,000	20,000
Mortgage-Backed Securities				
GNMA pass through pool	Monthly	7.25%-11.5%	12,454	11,097
GNMA pass through pool	Monthly	8.50%	<u>5,947</u>	<u>6,108</u>
			<u>38,401</u>	<u>37,205</u>
TOTAL WATERWORKS SYSTEM			<u>\$185,505</u>	<u>\$188,679</u>

SCHEDULE 3

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Payments for Board of Commissioners Meetings

September 30, 2000

	<u>Meetings Attended</u>	
WATERWORKS DISTRICT NO. 2		
Don Ryan, Chairman	12	\$ 720
Herbert Adams, Commissioner	11	540
Monica Lestage, Secretary	1	60
Irvin Richard, Commissioner	12	720
Stan Robison, Commissioner	12	720
Albert Hebert, Commissioner	12	<u>720</u>
		\$3,480
BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION		
Irvin Richard, Commissioner	12	720
Clarence Hebert, Commissioner	11	<u>660</u>
TOTAL		<u>\$4,860</u>

SCHEDULE 4

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Schedule of Gallons of Water Purchased and Sold  
and Number of Water Customers

For the years ended September 30, 2000 and 1999

(Unaudited)

	<u>9-30-00</u>	<u>9-30-99</u>
Gallons purchased for the period	198,636,000	185,579,000
Gallons sold for the period	157,106,230	152,545,696
Number of users at 9-30-00 and 9-30-99	1,831	1,810
Gallons not sold for the period	41,529,770	33,033,304
Cost per 1000 gallons purchased	.8404	.6483
Cost of gallons not sold	\$ 34,902	\$ 21,415

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Insurance

September 30, 2000

(Unaudited)

<u>Insurer</u>	<u>Amount of Policy</u>	<u>Risks Covered</u>	<u>Expiration Date</u>
Transcontinental Insurance Company	\$ 87,980	Office fire Building and contents	
	31,500	Warehouse and contents	4-26-01
Valley Forge Insurance Company	1,000,000	Worker's Compensation	4-26-01
Valley Forge Insurance Company	1,000,000	Comprehensive General liability	4-26-01
American Casualty Company	1,000,000	Auto liability	4-26-01
Continental Casualty Co.	10,000	Honesty blanket bond coverage on employee and commissioner	11-21-00
Reliance Insurance Company		Joint purification plant	2-01-01
	900,000	Building	
	495,000	Contents	
	31,000	Tank building	



WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Water Rates

September 30, 2000

The Board of Commissioners approved a water rate increase on September 11, 1995, effective October 1, 1995. The new water rate is as follows:

First 3,000 Gallons - \$6.00  
Over 3,000 Gallons - \$1.90 per 1000

For the period October 1992 to September 30, 1995, the water rates were as follows:

First 3,000 Gallons - \$4.75  
Over 3,000 Gallons - \$.17 per 100

For the period August 1988 to September 30, 1992, the water rates were as follows:

First 3,000 Gallons - \$4.00  
Over 3,000 Gallons - \$.14 per 100

Prior to August, 1988 the water rates were as follows:

First 3,000 Gallons - \$3.35  
Next 3,000 Gallons - \$1.05 Per 1,000  
Next 5,000 Gallons - \$1.00 Per 1,000  
Next 8,000 Gallons - \$.95 Per 1,000  
Next 10,000 Gallons - \$.90 Per 1,000  
Next 10,000 Gallons - \$.85 Per 1,000  
Next 11,000 Gallons - \$.80 Per 1,000  
Next 50,000 Gallons - \$.70 Per 1,000

WATERWORKS DISTRICT NO. 2  
OF THE  
PARISH OF ST. MARY  
STATE OF LOUISIANA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

PERIODS ENDED SEPTEMBER 30, 2000 AND 1999

LEBLANC AND CARPENTER  
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MEMBER:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Waterworks District No. 2  
Parish of St. Mary  
Bayou Vista, Louisiana

We have audited the financial statements of Waterworks District No. 2, as of and for the years ended September 30, 2000 and 1999, and have issued our report thereon dated January 16, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Waterworks District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District No. 2's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only two persons in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Commissioners (management), St. Mary Parish Council, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*LeBlanc and Carpenter*

January 16, 2001  
Morgan City, Louisiana